


Ram Petroleums Limited

Annual Report 1976



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/RamP1913_1976

RAM PETROLEUMS LIMITED

Incorporated under the laws of Ontario

Executive and Head Office

Suite 520, The Simpson Tower, 401 Bay Street, Toronto,
Ontario M5H 2Y4

District Office

210 Oxford Street East, London, Ontario N6A 1T6

Directors

Howard R. Barclay
Cyril J. Hadley
Richard H. Krempulec
Ralph W. McDowell
Robert J. Opekar
R. Bredin Stapells, Q.C.
Donald C. Webster

Transfer Agents

The Metropolitan Trust Company
Toronto, Ontario
The Bank of Bermuda Limited
Hamilton, Bermuda

Auditors

Dunwoody & Company
Toronto, Canada

Officers

Robert J. Opekar
President

Cyril J. Hadley
Vice-President (Exploration)

Roger I. Barton
Secretary

Robert O. Cochrane
*Supervisor of Exploration
and Production*

Banker

The Bank of Nova Scotia
44 King Street West
Toronto, Canada

General Counsel

Stapells & Sewell,
Toronto, Canada

REPORT TO SHAREHOLDERS

Income for 1976 was \$1,437,544, an increase of 121% over 1975 income of \$651,578 due mainly to an increase of production in Michigan. After substantially increased exploration and development expenses of \$1,925,363, compared with \$1,326,370 in 1975, and somewhat higher administrative and general expenses, loss before income taxes and extraordinary items was \$659,922, a small decline from a loss of \$691,380 for the prior year. After extraordinary items, the loss for 1976 was \$369,316, down from \$485,380 in 1975. Although income for the first half of 1977 may be slightly lower due to temporary production problems, I expect an income increase in the second half coupled with substantially reduced exploration and development expenses to result in further profit improvement. Results are gratifying inasmuch as the company has continued to fund internally a very high level of exploration and development.

The most important development since I reported to you on April 20, 1976, was the discovery in late January, 1977, of the Edys Mills gas bearing pinnacle reef located in Dawn Township, Lambton County, Ontario. Ram #50 drilled 136 feet of gross pay out of a potential section of about 350 feet and tested 48 million cubic feet calculated absolute open flow per day. Both development wells presently drilling have encountered full reef sections and excellent gas flows. Further wells are planned to test the lower section of the reef to ensure that it is also gas bearing. As things appear at the present, the Edys Mills Pool is the most important discovery made by Ram since the commencement of operations in 1962. It may prove to be the largest gas discovery made in Ontario in recent decades.

The 1976 programs in Michigan and Ontario are reviewed in more detail on pages 7 and 8 of this report. In 1977 activity will be increased in Ontario but reduced in Michigan, where costs have increased without a commensurate improvement in exploration results.

One bright note in Michigan was Ramoco's recent participation to the extent of 37.5% in a Shell Oil Company discovery, the Valentine #1-18, Bear Lake Township, Manistee County, which will be completed as an oil producer.

The 1976 Rocky Mountain region activity is reviewed on pages 4 and 5 of this report. At present Hogback Ridge #20-1 is drilling below 8,000 feet about fifteen miles north of Hoffman #1 which was abandoned at about 15,400 feet in February, 1977. I expect a continued high level of activity in the area of Ramoco's Utah leaseholdings through 1977. The overthrust trend of Utah and Wyoming is geologically very complicated and requires the drilling of exploratory wells which can cost millions of dollars each. It still remains, however, the most attractive onshore drilling play in North America because

of the possibility of discovering very large hydrocarbon accumulations within easy reach of markets.

I regret to report that the Province of Ontario recently proposed to follow the lead of the Federal Government in changing depletion allowances to the detriment of producers. Unless production close to market is encouraged Ontario residents will pay increasing prices for a growing amount of imported oil or an even higher price for oil and gas from Canadian frontier regions. The Province of Ontario should show leadership by telling Ontario residents that the era of cheap energy is over and insisting on immediate deregulation of oil and gas prices. Price increases will result in conservation and, with a greater share going to the producer, in more intensive exploration.

Your Company continues to be active in a number of base metal and uranium projects. Two of the base metal prospects will probably be drilled during 1977. Considerable work will be done on the tremolite showing in Palmerston Township, Ontario.

Good progress has been made towards obtaining the regulatory approvals which will enable the trustee to distribute Ramoco Inc. common shares to Ram shareholders. I hope that the distribution will take place this summer.

I would like to take this opportunity to draw your attention to the nomination for directorship at the forthcoming annual and special general meeting of Donald C. Webster, president of Helix Investments Limited, who joined our board in June 1976. His considerable entrepreneurial and investment expertise will continue to be of great value to the company. I would also like to advise you that Howard R. Barclay, who resigned his Ram directorship in July 1976 upon his emigration to Bermuda, has returned to Canada and will stand for election. I regret that Richard H. Krempulec has decided not to stand for re-election because of the pressure of other business. He has for many years been an excellent director and good friend of the company. His presence will be missed.

Finally I would like to thank the many people active in administration, exploration, leasing and production who have made the company so successful. It is they who constitute one of the best small groups of oil and gas finders in North America.

I expect further improvement in the company's position to continue into the foreseeable future.

R. J. OPEKAR,
President.

May 23, 1977

RAM PETROLEUMS LIMITED

PRINCIPAL EXPLORATION AREAS



1. **ARCTIC ISLANDS** (Sverdrup Basin)

Federal oil and gas exploration permits
72,491 acres, Ram 75%, Forest Oil 25%,
107,504 acres, Ram 75%, Imperial Oil 25%

2. **NORTHWEST TERRITORIES** (Great Bear Basin)

Federal oil and gas exploration permits
550,058 acres

3. **OFFSHORE BAFFIN ISLAND** (Cumberland Basin)

Federal oil and gas exploration permits
150,740 acres, 100%

4. **SASKATCHEWAN**

Lignite coal, exploration leases
6,400 acres, 100%

5. **ROCKY MOUNTAIN REGION**

Utah

Petroleum leases
289,700 acres, 100% Ramoco Inc.
62,250 acres, 31% Ramoco Inc.
69% Cities Service Co.

Nevada

Petroleum leases
39,108 acres, 100% Ramoco Inc.
1,600 acres, 100% Ram Inc.

Wyoming

Petroleum lease
640 acres, 100% Ramoco Inc.

6. **MICHIGAN** (Michigan Basin)

Petroleum leases
6,328 net acres, 47,383 gross acres, Ram Petroleums Inc.
37,715 net acres, 63,213 gross acres, Ramoco Inc.

7. **ONTARIO** (Michigan Basin)

Petroleum leases
81,891 acres, 100%

8. **OFFSHORE NOVA SCOTIA** (Scotia Shelf)

Provincial oil and gas exploration permits
666,970 acres, 100%

9. **MEXICO**

Mextor-Pinabete Mining Area
Silver, copper, gold, lead, zinc prospects
Ram 91.2% owner of Mextor Minerals Limited.

UTAH

County	Acres
1 Beaver	101,460
2 Box Elder	9,210
3 Cache	1,959
4 Iron	177,051
5 Rich	62,250 — Ramoco 31% — Cities Service 69%

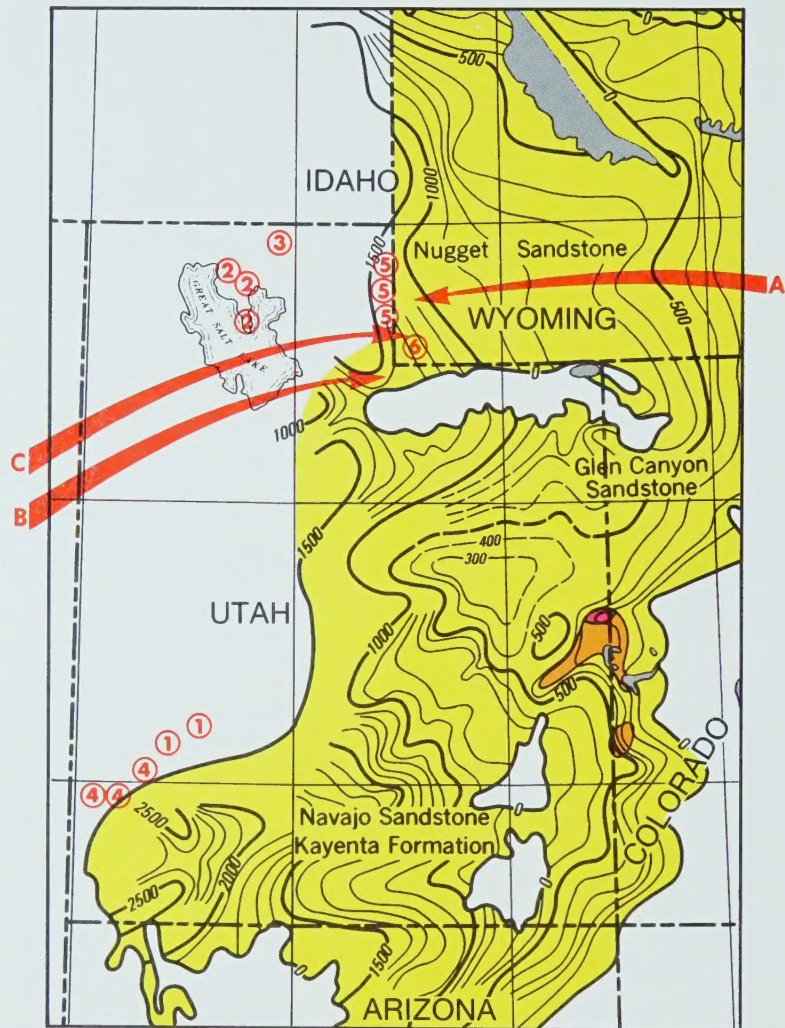
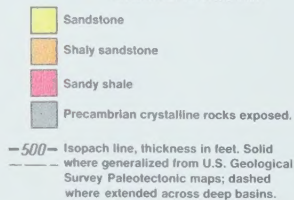
WYOMING

6 Uinta	640
---------	-----

- A Amoco Gas-condensate discovery
Ryckman Creek Field
- B American Quasar Oil discovery
Pineview Field
- C Amoco Gas discovery Yellow Creek
Field

EXPLANATION

LITHOFACIES SYMBOLS



After U.S.G.S. and R.M.A.G.

OIL AND GAS EXPLORATION

UTAH (OVERTHRUST BELT)

GREEN RIVER BASIN

In 1975 Ram Petroleum Inc. merged its 23,000 acres with Cities Service Company's acreage in the area of Randolph, Utah to form a joint block of 62,250 acres. The block was optioned to American Quasar Petroleum Co. of New Mexico to conduct seismic surveys and a three well drilling program.

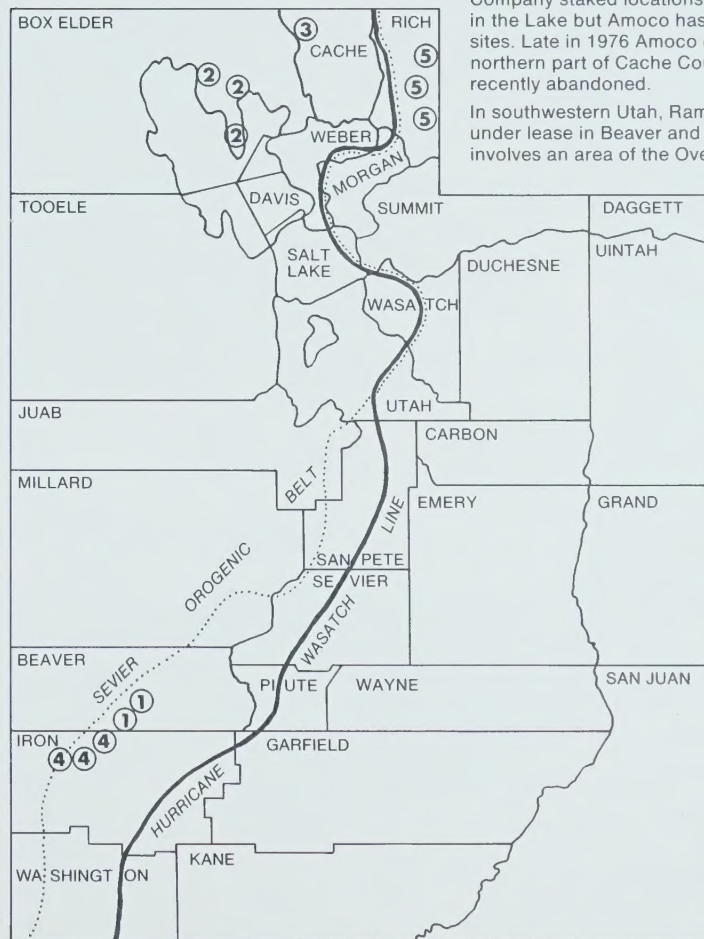
The first earning well, the Hoffman #1 at the outskirts of Randolph, was spudded in August 1976. The well was abandoned in February 1977 at a depth of 15,400 feet without reaching the lower thrust sheet and a deeper layer of prospective Nugget sandstone. The second earning well, the Hogback Ridge #20-1, was spudded in January 1977 at a location roughly 15 miles north of the Hoffman #1. This test is presently drilling below 8,000 feet.

In January 1976 Amoco Production Company discovered gas condensate in the Wyoming portion of the Overthrust Belt at Ryckman Creek about 35 miles southeast of the Hogback Ridge site. Later in the year another gas discovery was made by Amoco at Yellow Creek near the Utah-Wyoming border about halfway between the Pineview and Ryckman Creek fields. Recently Amoco made a gas discovery in the Permian Phosphoria in a test well drilled five miles west of the Ryckman Creek field in Wyoming.

The excellent reservoir characteristics of the Nugget Sandstone, combined with the thickness of the pay zones encountered in these discoveries, augurs well for the continuation of the accelerated drilling pace in this play where many fields of major size will undoubtedly be found.

Ram Inc.'s interests in this play were sold to Ramoco Inc. in May, 1976 and those interests have now matured into a significant participation in a major exploratory venture.

Utah county map showing the Sevier Orogenic Belt and the Hurricane Wasatch Line.



GREAT BASIN

Ramoco Inc. is participating in two geological plays in the Great Basin area of Utah on the acreage it acquired from Ram Inc.

Ramoco has 11,000 acres under lease in Cache and Box Elder Counties at the northeastern margin of the Great Salt Lake. In 1975 Amoco Production Company staked locations for two exploratory tests in the Lake but Amoco has delayed drilling at the sites. Late in 1976 Amoco drilled a test in the northern part of Cache County. The well was recently abandoned.

In southwestern Utah, Ramoco has 278,500 acres under lease in Beaver and Iron Counties. This play involves an area of the Overthrust Belt adjacent to the hingeline separating the Colorado Plateau and the Great Basin. It is believed that the area has received and preserved thick deposits of Navajo Sandstone, an equivalent to the Nugget Sandstone found to be productive at the Pineview field in northeastern Utah. Combined with likely thrusting and subthrusting in the area, this factor creates the ideal circumstances for a repeat of the conditions present in the northeastern Utah and Wyoming overthrust play. Ramoco is therefore negotiating the farmout of this acreage on a basis similar to the farmout venture developed with Cities Service and American Quasar in Rich County.



MICHIGAN

	Ram Petroleum Inc.		Ramoco Inc.	
	Leasehold		Royalty	
	Gross Acres	Net Acres	Gross Acres	Net Acres
1. Allegan	—	—	—	—
2. Alpena	121	8	—	—
3. Antrim	—	—	—	—
4. Benzie	585	37	359	65
5. Charlevoix	—	—	—	—
6. Cheboygan	40	22	—	—
7. Clinton	—	—	—	—
8. Crawford	440	29	200	19
9. Eaton	40	4	—	—
10. Grand Traverse	355	54	4,797	817
11. Gratiot	3,370	3,337	—	—
12. Hillsdale	—	—	—	—
13. Ingham	160	20	—	—
14. Kalkaska	1,538	125	1,028	67
15. Leelanau	—	—	—	—
16. Livingston	240	24	—	—
17. Macomb	13,818	1,575	60	18
18. Manistee	902	258	4,960	886
19. Mason	—	1	399	121
20. Montmorency	1,450	301	—	—
21. Muskegon	—	—	—	—
22. Newaygo	—	—	—	—
23. Oakland	4,857	891	61	14
24. Oceana	368	23	—	—
25. Osceola	—	—	—	—
26. Oscoda	—	—	—	—
27. Otsego	1,200	280	840	11
28. Ottawa	—	—	—	—
29. Presque Isle	893	105	—	—
30. St. Clair	5,825	1,117	396	20
31. Tuscola	11,152	1,115	—	—
32. Wexford	19	2	1,045	214
	47,383	6,328	14,145	2,252
			61,983	37,149

ONTARIO

Ram Petroleum Limited	
Leasehold	
33. Lambton	42,657
34. Kent	2,788
35. Essex	32,527
36. Middlesex	3,919
	81,891

MICHIGAN (MICHIGAN BASIN)

Ram Petroleum Inc., a wholly-owned subsidiary, and Ramoco Inc., an affiliated corporation, have leasehold interests in 43,477 net acres in Michigan. As participants in an exploration group, Ram Inc. and Ramoco completed an extensive seismic program along the northern and southeastern Michigan pinnacle reef play and in other areas of the state where drilling is active. Several new geophysical anomalies have been developed on which the companies have interests ranging from 10% to 75%.

In 1976 Ram Inc. participated in the drilling of three exploratory tests: two on the Northern Michigan pinnacle reef trend and one on the Southeastern Michigan reef trend. One commercial gas well was discovered in the Northern Trend.

Ramoco, together with others, drilled ten exploratory tests during the year: three on the Northern Trend and seven on the Southeastern Trend. In the Northern Trend, one oil discovery was made in a probable extension of an existing reef. In the Southeastern Trend one new pinnacle reef was discovered but salt plugging has reduced the quality of the reservoir.

Because of the high bonus and royalty requirements of leasing in Michigan and because of the poor results of the 1976 drilling program, the companies have reduced their participation in future acquisitions pending a reappraisal of existing production history and reservoir behaviour in Michigan pinnacle reefs. The companies will continue with seismic programs on the existing low-cost lease inventory and will review each drilling proposal individually to determine whether to participate for the existing working interest or to convert to a gross overriding royalty interest.

ROYALTY INTERESTS

Ram Inc. owns varying royalty interests in over 2,000 net acres in the North Michigan pinnacle reef trend. As of March 1, 1977 33 wells are on production out of 42 in which Ram owns a royalty interest. All but four of these wells are owned by Shell Oil Company.

NEW PRODUCTION (1976)

	LOVELL # 1-12	BOSSINGHAM # 1-31
Location		
Township	Bear Lake	Mayfield
County	Manistee	Grand Traverse
Percentage	25%	12.5%
Number of wells drilled	1	1
Producing wells	1 (2 other wells in reef)	1
Oil in Place	Not established	Not established
Production start	March 1977	Unknown. Sour gas (waiting on processing plant)
Production rate		
Oil (bbls)	150	Not established
Gas (mcf)	225	Not established

ONTARIO (MICHIGAN BASIN)

LAMBTON AND MIDDLESEX COUNTIES

Ram has about 47,000 acres under lease in the Silurian pinnacle reef belt of Lambton and Middlesex Counties.

During 1976 Ram conducted an 80 mile seismic survey to evaluate acreage in Lambton and Kent Counties which had appeared promising in earlier surveys. Also some reconnaissance seismic work was done in Middlesex County.

During 1976 Ram drilled seven exploratory wells mainly to evaluate leases which were due to expire during the year. Each well was dry but some anomalous conditions suggested by the drilling will be followed up with additional seismic surveys. Two wholly-owned exploratory wells begun in Lambton County at the year end made discoveries early this year. The first of these wells, located in Dawn Township, discovered non-commercial gas and may be adjacent to an incipient or possible pinnacle reef structure. Further study of this structure is planned.

The second well discovered a new pinnacle reef. The drilling encountered a favourable crestal position on the reef and large volumes of gas flowed from the upper portion of the reef during tests. Drilling by cable tool rig was terminated after penetrating 136 feet out of a potential 350 feet of reef because of slow drilling progress due to high gas pressure. Calculated absolute open flow for this well is 48 million cubic feet per day. Additional development drilling is now underway to determine the extent of the reef and reservoir volume. So far the pinnacle structure appears to be of considerable size with large reserves of gas.

Ram also owns a 10% interest in a crest reef well in the recently discovered Oil City gas pool in Enniskillen Township, Lambton County.

A successful development well was drilled in Ram's Petrolia East oil field. Total production from the field now averages 70 barrels per day.

ESSEX AND KENT COUNTIES

Ram has approximately 32,500 acres under lease in Essex County and 2,750 acres in Kent County located adjacent to the Essex lease block. This acreage is believed to be prospective in formations of Ordovician and Cambrian age as well as upper horizons of Silurian age.

In 1976 Ram drilled three Cambrian tests in Essex County. These wells were dry. This very complex play requires the drilling of many exploratory tests to properly evaluate a prospect and the information derived from these tests is valuable for refining future exploratory techniques. Ordovician crude commands the highest Ontario price per barrel (\$10.75 at January 1, 1977). Ram expects that this incentive will spur increased exploratory activity in the area.

At the same time, in order to reduce the drilling burden, Ram is negotiating to farm out the acreage to a major company. A recently drilled exploratory test in Malden Township, adjacent to Ram's acreage, was completed as an oil well producing from a dolomitized Trenton section. This discovery should help to accelerate drilling activity in this relatively dormant play.

OFFSHORE BAFFIN ISLAND

This is a very prospective area where sediments with a thickness of as much as 20,000 feet and more are expected to contain large reserves of hydrocarbons. Ninety percent of the oil in the world has been found in sedimentary rock of the type believed to underlie this area.

Between 1971 and 1974 Gulf Oil Canada and Gulf U.S. conducted an aeromagnetic survey and extensive marine seismic surveys under an option agreement on Ram's permits. Late in 1975 the Gulf partnership relinquished its option and returned the permits to Ram.

During 1976 Ram reprocessed 80 miles of the 2400% C.D.P. seismic coverage received from Gulf and exchanged the reprocessed data for an equal amount of data of a major oil company in the area. The 160 miles of reprocessed data have revealed several interesting structures, one of which seems to be almost entirely on Ram's holdings. The new interpretation has also allowed Ram to surrender permits which do not appear promising. Ram has surrendered nineteen permits to hold 150,740 acres out of an original inventory of 1,087,410 acres.

Ram will attempt to negotiate an option agreement under which a syndicate of major oil companies could earn an interest in Ram's permits by electing to drill an exploratory test on Ram acreage.

ARCTIC ISLANDS (SVERDRUP BASIN)

Ram has 179,995 acres of Federal exploratory oil and gas permits in the Sverdrup Basin of the Canadian Arctic Islands. These permits are favourably located with respect to known geological structures and recent gas discoveries. Early in 1972 Ram farmed out two permits consisting of 107,504 acres off Amund Ringnes Island to Imperial Oil Limited which can earn a 25% working interest by satisfying work obligations up to August 9, 1980 in the amount of \$279,510. Imperial has the option of increasing its interest to 100%, subject to a 20% net profits interest to Ram, by drilling a test well to evaluate the Triassic Heiberg formation or to 10,000 feet whichever is the lesser.

Subsequently, Ram farmed out two permits consisting of 72,491 acres on Axel Heiberg Island to Forest Oil of Canada, Ltd., a wholly-owned subsidiary of Forest Oil Corporation of Denver, Colorado. Forest can earn a 25% working interest by satisfying work obligations to 1980 in the amount of \$192,101. Forest has the option of increasing its interest to 75% by drilling and completing a well on each of the permits. Ram may convert its remaining 25% working interest in any drilling tract to a 7½% gross overriding royalty.

A consortium of companies including Panarctic, Petro-Canada, Imperial Oil and Gulf Oil are to commence a major exploration program, mainly offshore in 1977. It is expected that this exploration program will ultimately generate some additional exploratory drilling activity in the area of Ram's holdings.

OFFSHORE NOVA SCOTIA (SCOTIA SHELF)

Ram has provincial exploratory permits on 666,970 acres Offshore Nova Scotia on the Scotia Shelf. By agreement with the Government of Nova Scotia, the work requirements on Ram's permits are under a moratorium until jurisdictional disputes involving the acreage are settled.

Late in 1976 provincial and federal officials reached agreement on the sharing of royalties in the disputed area. It is believed that this interim agreement will encourage renewed exploration in the area.

NEVADA BUTTE EVAPORITE BASIN

Ramoco has 39,100 acres of leases in Elko County in north central Nevada. The acreage lies adjacent to the Roberts Mountain thrust in the Butte Evaporite Basin, an area of potential stratigraphic traps. Seeps and oil shale exposures along the edge of the Roberts Mountain Thrust indicate the presence of hydrocarbons in the area. Ramoco is presently attempting to farmout this acreage.

MINING

URANIUM

Ram participated with other companies in radon surveys and a drilling program on pegmatite dykes located near the Montreal River in Mirsky, Peeven and Rix Townships, Algoma District, Ontario. The results of the drilling have discouraged further work. The drilling work credits will be applied to extend several claims to 1978. Ram's interest is 45%.

Ram has agreed to exchange information with five other companies which have claims contiguous to Ram's Kamichisitit Township (formerly Township 168), Sault Ste. Marie Mining Division, interests. The previous drilling data will be used to prepare recommendations for further exploratory work. Ram's interest in 102 mining claims varies from 75% to 90%.

Ram participated in a scintillometer survey and trenching program on the claims which it owns with Taman Resources Limited in Palmerston Township. The program revealed only low quality uranium content. The work credits will be applied to maintain the claims in good standing up to February 1978. Because a recently published Geological Survey of Canada airborne survey has revealed a strong anomaly on the property further work is planned for the summer of 1977.

In association with another company, Ram conducted a radon survey at a number of water locations on an exploration permit in the Marguerite River Area of Alberta. Further survey work is being planned for the coming summer.

COAL AND LIGNITE

Ram has retained 6,400 acres under coal lease in southern Saskatchewan, favourably located for shipment to markets in eastern Canada. However, the provincial government has not yet issued regulations governing the export report of coal from Saskatchewan. Ram has also 10,400 acres under coal lease in the South Manville area of Alberta.

SILVER

No further investment has been made by Mextor Minerals Limited in the mining claims held by Compania Minera de Pinabete S.A. Ram owns 92% of Mextor and Mextor owns 49% of Pinabete.

BASE METALS

Ram contributed to the 1976 program on the Andrew Harman Syndicate. General assessment work was conducted on the Syndicate's claims in the Redstone Region, Yukon. The claims are in good standing until September, 1977. Ram's interest is 19%.

Ram is presently negotiating a joint venture with a major mining company to conduct an electromagnetic survey program and, if warranted, a drilling program on a jointly owned claim group in Tully Township, Porcupine District, Ontario.

TREMOLITE

The claims covering the known tremolite body in Palmerston Township, Ontario, are now being converted to lease. Ram is working with a research laboratory exploring the use of tremolite as a bonding agent in asphalt. Initial results have been most encouraging and it is planned to remove about 200 tons of material this summer for use in asphalt road sections which may be laid down this year in order to test the effectiveness of the tremolite additive. The addition of about two percent of tremolite is expected to improve substantially the flexibility, strength and durability of the road surface.

RAM PETROLEUMS LIMITED

and subsidiary companies

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1976

ASSETS

	1976	1975
Current		
Cash	\$ 59,621	\$ 3,964
Current portion of debentures, note 1	1,500,000	1,500,000
Marketable securities, at market value, note 2	344,451	164,346
Accounts receivable	332,894	511,823
Due from affiliated company — Ramoco Inc	183,516	—
Prepaid expenses	23,755	46,150
	<u>2,444,237</u>	<u>2,226,283</u>
 Debentures, note 1	 1,139,232	 1,500,000
Long Term Investment, note 3	<u>737,088</u>	<u>970,952</u>
 Capital Assets, note 4		
Cost	4,784,181	4,438,283
Less accumulated depreciation and amortization	754,626	336,056
	<u>4,029,555</u>	<u>4,102,227</u>
 Other Assets		
Government of Canada Bonds, at cost, market value \$33,236 (1975 — \$32,433), note 5	33,000	33,000
Other shares, at nominal value	1	1
Land at cost	48,112	47,355
Sundry deposits and advances	22,050	18,900
	<u>103,163</u>	<u>99,256</u>
	<u><u>\$8,453,275</u></u>	<u><u>\$8,898,718</u></u>

LIABILITIES

Current

Bank indebtedness, note 6	\$1,645,527	\$1,541,628
Accounts payable and accrued liabilities	421,225	117,830
Advance — other	—	117,500
	<u>2,066,752</u>	<u>1,776,958</u>

Deferred Income Taxes

—	304,000
---	---------

Minority Interest in Subsidiary Companies

60,200	95,141
--------	--------

SHAREHOLDERS' EQUITY

Capital Stock

Authorized

150,000 6% non-cumulative preference shares redeemable at par value \$1

8,000,000 Common shares, par value 25¢

Issued

3,613,513 Common shares	903,378	903,378
-------------------------	---------	---------

Premium on issue of shares less discount	<u>1,026,806</u>	<u>1,026,806</u>
--	------------------	------------------

1,930,184	1,930,184
-----------	-----------

Retained Earnings

4,517,084	4,891,858
-----------	-----------

6,447,268	6,822,042
-----------	-----------

Less 53,000 common shares at cost	<u>120,945</u>	<u>99,423</u>
-----------------------------------	----------------	---------------

6,326,323	6,722,619
-----------	-----------

COMMITMENTS, note 5

STOCK OPTIONS, note 7

STATUTORY INFORMATION, note 8

FOREIGN EXCHANGE, note 9

EARNINGS PER SHARE, note 10

ANTI-INFLATION LEGISLATION, note 11

Approved on behalf of the Board:

R. J. OPEKAR, Director

R. B. STAPPELLS, Director

<u>\$8,453,275</u>	<u>\$8,898,718</u>
--------------------	--------------------

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 1976

	1976	1975
Income		
Royalties	\$ 462,229	\$ 267,245
Gas sales	374,884	67 784
Oil sales	718,028	316 549
	1,555,141	651,578
Less: Direct expenses	117,597	30,710
	1,437,544	620,868
Interest and dividends earned	226,186	321,498
	1,663,730	942,366
Exploration and Development Expenses		
Abandoned well costs, leases and mining claims	269,202	403,234
Oil, gas and mining consulting fees	28,698	10,209
Lease and royalty payments	256,710	313,756
Exploration	1,370,753	599,171
	1,925,363	1,326,370
Administrative and General Expenses		
Management fees	42,000	31,000
Directors' fees	4,950	6 450
Rent	25,066	23,695
Depreciation of office equipment, automobiles and amortization of improvements to leased premises	11,268	9,300
Salaries	161,476	114,267
Travel and promotion	15,018	8,961
Legal and audit	39,921	26,681
Transfer agent and stock exchange fees	2,452	2,466
Interest	109,995	52 335
Corporate and office	59,477	44,638
Adjustment of bad debt allowance	—	(3,515)
Miscellaneous	13,734	11,724
	485,357	328,002
Less: Gain on exchange	2,153	29,175
	483,204	298,827
	2,408,567	1,625,197

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 1976

Loss Before Undernoted Items	(744,837)	(682,831)
Gain on sale of securities	19,559	5,662
Adjustment of market value of marketable securities	65,356	(14,211)
	84,915	(8,549)
Loss Before Income Taxes and Extraordinary Items	(659,922)	(691,380)
Current income taxes refundable	—	1,000
Deferred income taxes reduction	304,000	205,000
	304,000	206,000
Loss Before Extraordinary Items	(355,922)	(485,380)
Exchange loss on investment, note 3	(218,170)	—
Gain on sale of capital assets, note 3	204,776	—
	(13,394)	—
Loss for the Year	(369,316)	(485,380)
Consolidated retained earnings, beginning of year	4,891,858	5,377,238
	4,522,542	4,891,858
Distribution to shareholders, note 12	5,458	—
Consolidated Retained Earnings, End of the Year	\$4,517,084	\$4,891,858

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 1976

Source of Funds	1976	1975
Proceeds on sale of capital assets	\$1,103,945	\$ —
Decrease in long term portion of debenture	1,500,000	1,500,000
Increase in minority interest	—	34,069
Decrease in long term investment	15,694	—
	<u>2,619,639</u>	<u>1,534,069</u>
Application of Funds		
Loss for the year	369,316	485,380
Items not involving funds		
Depreciation and amortization	(436,260)	(622,142)
Deferred income taxes	304,000	205,000
Gain on sale of capital assets	204,776	—
Exchange loss on investments	(218,170)	—
	<u>223,662</u>	<u>68,238</u>
Reduction in minority interest	34,941	—
Purchase of capital assets	1,262,757	1,651,387
Increase in Government Bonds	—	8,750
Increase in long term investments	—	28,653
Increase in other assets	3,907	3,975
Common shares acquired, net	21,522	41,535
Distribution to shareholders	5,458	—
Debenture acquired re sale of capital assets including accrued interest	1,139,232	—
	<u>2,691,479</u>	<u>1,802,538</u>
Decrease in Working Capital	<u>71,840</u>	<u>268,469</u>
Working capital, beginning of year	<u>449,325</u>	<u>717,794</u>
Working Capital, End of Year	<u>\$ 377,485</u>	<u>\$ 449,325</u>

AUDITORS' REPORT

To the Shareholders
Ram Petroleums Limited

We have examined the consolidated balance sheet of Ram Petroleums Limited and subsidiary companies as at 31 December 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, subject to the tax contingency and the collectibility of the debenture referred to in note 1 and the recovery of long term investments referred to in note 3, these consolidated financial statements present fairly the financial position of the companies as at 31 December 1976 and the results of their operations and changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
9 March 1977

DUNWOODY & COMPANY
Chartered Accountants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1976

1 Debentures

- (a) In 1974 the company took back a debenture as part consideration for the sale of certain assets. The debenture bears interest at 1% above the prime lending rate of the purchaser's main banker and the balance of \$1,500,000 is payable on 1 January 1977. In the opinion of counsel, the amount of \$5,204,836 received in 1974 for other rights is properly treated for tax purposes as the proceeds of disposition of a capital property and not a Canadian resource property as those terms are defined in the Income Tax Act. The company has been advised that on valuation day, 31 December 1971, the fair market value of such rights was greater than the sale price received. Accordingly, no income taxes have been provided in respect of this amount. To the extent that any portion or all of the said amount of \$5,204,836 is found to be the proceeds of disposition of a Canadian resource property, such amount would constitute income for tax purposes.
- (b) In 1976 a subsidiary took back a debenture in consideration for the sale of certain assets, which bears interest at the rate of 6% per annum calculated half-yearly not in advance, from 5 May 1976 receivable on 30 April 1984 under the first principal payment. Principal payments of \$365,273 are payable on 30 April 1984, 1985 and 1986. The debenture is secured by a floating charge on all of the present and future assets of the purchaser and the collectibility is dependent on future productivity of these assets.

2 Marketable Securities

Marketable securities consist of the following securities:

Number of Shares	Name	Market Value
10,000	Merrill Lynch & Co.	\$254,646
25,500	Yellowknife Bear Mines Limited	87,975
	Miscellaneous	1,830
		<u>\$344,451</u>

3 Subsidiary Companies and Long Term Investment

The consolidated financial statements include the accounts of the company's wholly-owned subsidiary company, Ram Petroleum Inc. and the accounts of Mextor Minerals Limited and Taman Resources Limited, which are 91.8% and 61.4% owned respectively.

RAM PETROLEUMS INC.

Income taxes otherwise payable of approximately \$50,000 on the gain on sale of capital assets amounting to \$204,776, have been eliminated through the application of tax losses.

MEXTOR MINERALS LIMITED

The only asset of Mextor Minerals Limited is a long term investment in a Mexican company, Compania Minera de Pinabete, S.A. ("Pinabete") made up as follows:

	1976	1975
Cost of shares in Pinabete — see note (a)	\$216,761	\$216,761
Advances to Pinabete — see note (b)	415,911	651,515
Excess of purchase price on acquisition — see note (c)	104,416	102,676
	<u>\$737,088</u>	<u>\$970,952</u>

(a) COST OF SHARES IN PINABETE

The subsidiary's interest in the exploration projects of Pinabete commenced with agreements made in 1969 and amended in November 1971, with the Mexican owner of substantially all the outstanding shares of Pinabete. Under the terms of the agreements, the subsidiary obtained title to the major shareholder's 1,223 Class "B" shares, which shares represent a 48.92% interest in Pinabete. Of the total cost of \$216,761 a part is repayable to the subsidiary by the major shareholder, but is limited to the proceeds which can be realized from the sale of the major shareholder's Class "A" shares of Pinabete (representing 50.92% interest) to other Mexican nationals within the period to the year 2000.

The cost of the subsidiary's investment in Pinabete will not be established until future periods and is dependent upon the future productivity of Pinabete's exploration projects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1976

(b) ADVANCES TO PINABETE

The principal portion of the subsidiary's advances to Pinabete have been spent in the Republic of Mexico on deferred expenditures on mining concessions which are either held by Pinabete or of which Pinabete is the beneficial holder. These concessions are near Guadalajara, Mexico, and Pinabete has the right to develop certain other properties under option agreements.

The policy of both companies is to defer expenditures until the exploration work results in discovery and acquisition of commercially mineable properties, at which time the direct exploration costs are capitalized and amortized over the life of the properties, or, to write off the expenditures if the results of the exploration work are negative.

The subsidiary has written off a loss on exchange due to the devaluation of the Mexican currency in which the advances are repayable.

(c) The excess is the amount by which the cost of shares in Mextor Minerals Limited exceeded their book value when purchased by Ram Petroleums Limited

Pinabete has had no income to 31 December 1976 and its assets are represented essentially by deferred expenditures.

4. Capital Assets

	1976		1975	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Interest in natural gas and oil leases	\$ 1,128,570	\$ 144,259	\$ 1,583,816	\$ 68,786
Equipment	201,841	51,210	173,845	44,721
Development costs deferred	2,506,374	544,212	1,697,048	208,563
Automobiles	34,955	14,945	41,487	13,986
Exploration and prospecting permits and licences	457,222	—	363,017	—
Exploration and prospecting costs deferred	455,219	—	579,070	—
	<u>\$ 4,784,181</u>	<u>\$ 754,626</u>	<u>\$ 4,438,283</u>	<u>\$ 336,056</u>

AMORTIZATION AND DEPRECIATION POLICY

Amortization of gas and oil leases, and deferred development costs, and depreciation of production equipment is based on the estimated net recoverable oil reserves and the contracted quantities of gas sales.

Other equipment is depreciated at the rate of 20% per annum on the declining balance.

The accumulated development and lease acquisition costs of abandoned wells are written off in the year of abandonment.

Automobiles are depreciated at the rate of 30% per annum on the declining balance.

Exploration, prospecting and lease acquisition costs are written off against revenue earned from subsequent production. If, in any year, an exploration project is abandoned, the applicable accumulated costs are written off in that year.

5. Commitments

(a) The company has deposited \$33,000 par value Government Bonds and issued a promissory note for \$30,148 as a guarantee that exploration expenditures amounting to \$63,148 will be made.

(b) The company has leased premises at a basic annual rental of \$20,140 until 1984.

(c) Ram Petroleums Inc., a consolidated subsidiary, has entered into an agreement with Ramoco Inc. on 31 January 1977 to lend that company such monies as are necessary for Ramoco Inc.'s future acquisitions and operations. Such loans will bear interest at the rate of 6% per annum and the agreement may be terminated upon six months' written notice by either party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 1976

6 Bank Indebtedness

	1976	1975
Bank loan	\$1,614,000	\$1,425,000
Overdraft	31,527	116,628
	<u>\$1,645,527</u>	<u>\$1,541,628</u>

The bank loan is secured by a general assignment of debts and the company has lodged certain of its securities as collateral security

7 Stock Options

100,000 common shares have been set aside for the company's key executives and employees, to be purchased at a price not less than 90% of the fair market value of the shares when the options are granted, exercisable as specified by the Board of Directors, within a period of not more than ten years ending 31 December 1984.

8 Statutory Information

	1976	1975
Remuneration of directors and senior officers (as defined by The Business Corporations Act)	<u>\$104,152</u>	<u>\$91,079</u>

9 Foreign Exchange

The assets, liabilities and operations of Ram Petroleum Inc., one of the subsidiaries, which are in U.S. dollars, have been converted at par.

10 Loss Per Share

	1976	1975
Before extraordinary items	\$0.10	\$0.14
After extraordinary items	\$0.10	\$0.14

11. Anti-Inflation Legislation

The company is subject to dividend restrictions under provisions of the Federal Anti-Inflation Act.

12. Distribution to Shareholders

The distribution to shareholders of all the issued shares in Ramoco Inc. was approved by the shareholders of Ram Petroleum Limited on 17 June 1976. These shares are held in trust for the company's shareholders by the Metropolitan Trust Company until the final distribution of the share certificates upon receipt of all the required regulatory approvals. The distribution will be made to the shareholders of record of Ram Petroleum Limited on the seventh business day following receipt of the last required regulatory approval.



RAM PETROLEUMS LIMITED

and subsidiary companies

**CONSOLIDATED STATEMENT
OF CHANGES IN FINANCIAL POSITION**

for the six months ended 30 June 1976

(Unaudited)

	1976	1975
Source of Funds		
Operations		
Income (loss) for the period	\$ 24,828	\$ (343,934)
Add: Items not requiring an outlay of funds:		
Amortization and depreciation	161,958	28,255
Abandoned lease costs	110,000	—
Deferred taxes (reduction)	(155,000)	—
	141,786	(315,679)
Sale of capital assets	7,425	—
Decrease in long term portion of debenture	1,500,000	1,500,000
	1,649,211	1,184,321
Application of Funds		
Increase in long term investments	3,882	18,349
Capital assets acquired	1,177,222	421,751
Increase in other assets	30,038	87,250
Decrease in minority interest	5,679	94
Common shares acquired	30,647	4,971
	1,247,468	532,415
Increase in Working Capital	401,743	651,906
Working capital, beginning	449,325	720,126
Working Capital, ending	<u>\$ 851,068</u>	<u>\$1,372,032</u>

AR36**RAM PETROLEUMS LIMITED**

(Incorporated under the law of Ontario)

Executive and Suite 520
Head Office The Simpson Tower
401 Bay Street
Toronto, Ontario M5H 2Y4

Directors CYRIL J. HADLEY
RICHARD H. KREMPULEC
RALPH W. McDOWELL
ROBERT J. OPEKAR
R. BREDIN STAPELLS, Q.C.
DONALD C. WEBSTER

Officers ROBERT J. OPEKAR, President
ROGER BARTON, Secretary

Transfer Agents THE METROPOLITAN TRUST
COMPANY
353 Bay Street
Toronto, Ontario

THE BANK OF BUTTERFIELD
EXECUTOR AND TRUSTEE
COMPANY LTD.
Hamilton, Bermuda

Auditors DUNWOODY & COMPANY
Toronto, Ontario

Banker THE BANK OF NOVA SCOTIA
44 King Street West
Toronto, Ontario

General Counsel STAPELLS & SEWELL
Toronto, Ontario

*Canary***Ram Petroleum Limited**

Interim Report
For the Six Months
Ended 30 June 1976

To the Shareholders:

Consolidated oil, gas and royalty income before expense for the 6 months ended 30 June, 1976 was \$705,652 compared to \$175,243 for the first half of 1975. This gratifying increase was the result of new production coming on stream in Michigan. It is interesting to note that 90% of oil, gas and royalty income was from U.S. operations and 10% from Canadian operations. Net income for the 6 months ended 30 June, 1976 was \$24,828 compared to a loss of \$343,934 for the first half of 1975. The trend to higher income and profits is expected to continue.

Well site preparation is underway in the vicinity of Randolph, Rich County, Utah so that American Quasar Petroleum Co. can commence drilling a deep exploratory well to earn a 50% interest in about a third of a spread of oil and gas leases owned 69% by Cities Service Company and 31% by Ramoco Inc., a wholly owned subsidiary of Ram. American Quasar has an option to earn 50% of all the Cities-Ramoco lease interest, constituting about 70,000 acres, by drilling two additional deep exploratory wells. After being carried at no cost through the drilling of three deep wells costing over \$10 million, Ramoco would have a 15½% interest in about 70,000 acres of oil and gas leases.

Shares of Ramoco are presently held by a trustee for distribution to Ram shareholders.

A favourable advance tax ruling from Revenue Canada has been obtained. A request to the Ontario Securities Commission for an order pursuant to Section 59 of the Securities Act was refused and the company will now have to file a Ramoco prospectus prior to distribution. Work on preparing the prospectus has begun. An acceptable filing with the U.S. Securities and Exchange Commission is presently being attended to. I assure you that the company is doing whatever is necessary to meet bureaucratic demands in order to receive permission to distribute shares of Ramoco to you as soon as possible.

In the second half of 1976 your company will be drilling, either for its own account or with others, a number of very good prospects in both Ontario and Michigan. I am optimistic that a measure of success in this exploration program will result in a substantial growth of income in the years ahead.

On Behalf of the Board.

R. J. OPEKAR.
President.

August 24, 1976.

RAM PETROLEUMS LIMITED
and subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

for the six months ended 30 June 1976
(Unaudited)

	1976	1975
Income		
Gas sales	\$ 118,700	\$ 3,291
Oil sales	355,709	122,223
Royalties	231,243	49,729
	705,652	175,243
Less expense	59,281	13,546
	646,371	161,697
Other revenue	86,514	151,604
Total revenue	732,885	313,301
Exploration and Development Expenses	791,430	504,493
Administrative and General Expenses	188,766	143,241
Total expenses	980,196	647,734
Loss Before Undernoted Items	247,311	334,433
Profit on sale of securities	41,877	6,449
Profit on sale of capital assets	2,649	—
Reduction in provision for decline in market value of marketable securities	72,613	(15,950)
	117,139	(9,501)
Loss Before Income Taxes	130,172	343,934
Deferred income taxes (reduction)	(155,000)	—
Net Income (Loss) for the Period	\$ 24,828	\$(343,934)
Earnings (Loss) per share		
before extraordinary items	(6.8)¢	(9.2)¢
after extraordinary items	0.7 ¢	(9.5) ¢